

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
CORPUS CHRISTI DIVISION**

In re:

**PLC LITIGATION TRUST/
SPC LITIGATION TRUST,**

Debtors.

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**Case No.: 07-20027-C-11
Jointly Administered

(Confirmed Chapter 11)**

**SPC LITIGATION TRUSTEE'S OBJECTION TO PACIFIC WATERSHED
ASSOCIATES CLAIMS [CLAIM NO. 476]**

THIS IS AN OBJECTION TO YOUR SCHEDULED CLAIM. THE OBJECTING PARTY IS ASKING THE COURT TO CORRECT YOUR SCHEDULED CLAIM IN THIS BANKRUPTCY CASE. YOU SHOULD IMMEDIATELY CONTACT THE OBJECTING PARTY TO RESOLVE THE DISPUTE. IF YOU DO NOT REACH AN AGREEMENT, YOU MUST FILE A RESPONSE TO THIS OBJECTION AND SEND A COPY OF YOUR RESPONSE TO THE OBJECTING PARTY WITHIN 20 DAYS AFTER THE OBJECTION WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE OBJECTION IS NOT VALID. IF YOU DO NOT FILE A RESPONSE WITHIN 20 DAYS AFTER THE OBJECTION WAS SERVED ON YOU, YOUR CLAIM MAY BE DISALLOWED.

A HEARING HAS BEEN SET OF THIS MATTER ON NOVEMBER 30, 2009 AT 2:00 A.M. IN CORPUS CHRISTI, TEXAS.

Avidity Partners LLC, as SPC Litigation Trustee ("SPC Litigation Trustee") appointed under the MRC/Marathon Plan and SPC Litigation Trust Agreement ("SPC") files this Objection to Pacific Watershed Associates Claims (the "Objection") and respectfully states as follows.

JURISDICTION

1. This Court has jurisdiction to hear this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(B)(2)(A), (B) and (O). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

PROCEDURAL BACKGROUND

A. The Plan and the SPC Litigation Trustee

2. On January 18, 2007 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors’ chapter 11 cases were procedurally consolidated for administrative purposes and are jointly administered under Case No. 07-20027.

3. By order dated July 8, 2008, this Court confirmed the First Amended Joint Plan of Reorganization for the Debtors, as Further Modified, With Technical Corrections, Proposed by Mendocino Redwood Company, LLC, Marathon Structured Finance Fund L.P., and the Official Committee of Unsecured Creditors (the “MRC/Marathon Plan”). The effective date of the MRC/Marathon Plan was July 30, 2008.

4. The MRC/Marathon Plan established a litigation trust for Scotia Pacific Company LLC (the “SPC Litigation Trust”). Avidity Partners, LLC was appointed as SPC Litigation Trustee pursuant to Section 8.6.2 of the MRC/Marathon Plan. *See* Confirmation Order, ¶ 11, p. 16. Pursuant to the MRC/Marathon Plan, The SPC Litigation Trustee has the right to object to Class 8 and Class 9 claims.

5. By order dated July 20, 2009, the deadline for the SPC Litigation Trustee to object to claims was extended until November 22, 2009 [Dkt. No. 4254].

B. Pacific Watershed Claims

6. Pacific Watershed Associates (“Pacific Watershed”) filed proof of claim number 476 (*See Exhibit A* hereto), asserting an unsecured claim against Scotia Pacific Company LLC (SCOPAC) and Pacific Lumber Company in the amount of \$105,540.38. Pacific Watershed also

has a scheduled claim in the amount of \$93,946.40. Pursuant to Court Order [Dkt. No. 1910], the Debtors reclassified the claim against SCOPAC to reflect an allowed claim of \$9,151.74, which has been satisfied.

C. Objection to Claim

7. The SPC Litigation Trustee seeks an order clarifying that the Pacific Watershed Claims against SCOPAC were paid in full. Because the Pacific Watershed Claims have already been allowed and paid, they are not entitled to any distributions from the SPC Litigation Trust.

8. The SPC Litigation Trustee reserves all rights to amend this Objection and assert additional objections against the Pacific Watershed Claim on any other bases.

WHEREFORE, PREMISES CONSIDERED, the SPC Litigation Trustee respectfully requests that this Court (i) enter an order clarifying that the Pacific Watershed Claims asserted against SCOPAC have been reclassified and paid pursuant to Court Order and shall receive no distributions from the SPC Litigation Trust and (ii) grant such other and further relief as this Court deems appropriate.

Dated: October 30, 2009

Respectfully submitted,

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